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February 28, 2008

Honorable Charles A. Life
Senior Corporate Counsel
East Kentucky Power Cooperative, Inc.
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CERTIFICATE OF SERVICE

RE: Case No. 2007-00266
East Kentucky Power Cooperative, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on February 28, 2008.

Executive Director

BOD/rs
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. FOR CONTINUATION OF)	CASE NO.
THE TOUCHSTONE ENERGY MANUFACTURED)	2007-00266
HOME PROGRAM)	

O R D E R

On June 29, 2007, East Kentucky Power Cooperative, Inc. ("EKPC") filed an application seeking Commission approval to revise its DSM tariff to extend its Touchstone Energy Manufactured Home Program ("Program") through the end of 2009.¹

The Program is a conservation program that encourages the sale of energy efficient manufactured homes that meet the Energy Star standards developed by the U.S. Environmental Protection Agency and the U.S. Department of Energy. Participants that adhere to the Energy Star standards receive a one-time \$250 rebate from EKPC, through their Member System, upon written confirmation that retail customers have purchased a newly constructed manufactured home that meets the Energy Star standards. The rebate program has helped to offset the cost to participants and to reduce the payback period of the initial investment in the Touchstone Energy Manufactured Home. EKPC believes that customers are more sensitive to the up-front costs of a manufactured home than they are to the prospect of long-term savings through energy efficiency.

¹ EKPC amended its proposal on November 9, 2007.

According to EKPC, the Program has had limited success having only 6 participants during the 2003-2006 time period.² EKPC believes that one of the main reasons for limited participation has been concern about the increased cost of a manufactured home when constructed to Energy Star standards. However, EKPC believes that a blend of incentives and renewed buyer education are the keys to future success of the Program. Because manufactured homes comprise a significant portion of homes in the Member Systems' service territories, EKPC believes that potential manufactured home buyers should continue to be offered the opportunity to benefit from energy efficiency over the long run.

EKPC's current proposal attempts to make the Program more attractive to potential participants by expanding its scope. In addition to the existing incentive of \$250 to offset the cost of a new Energy Star manufactured home, EKPC proposes to offer an incentive of \$150 to customers who purchase a manufactured home that includes only an Energy Star heat pump or who replace an existing inefficient furnace in their manufactured home with a new, highly efficient heat pump. This proposal makes the Program available to those customers who are unable to afford an Energy Star manufactured home but desire to make their home more energy efficient, and thus expands the Program's prospective market. EKPC has developed new marketing materials highlighting the benefits of an energy efficient manufactured home to educate potential participants.

² EKPC indicated in its response to Commission Staff's Second Data Request, Item 4, that it had paid rebates to participants that did not strictly comport with its filed tariff. EKPC is advised that it must adhere to its approved tariffs.

EKPC performed cost/benefit tests, also known as the "California Tests," to determine the Program's cost effectiveness. The results of those tests were filed in support of EKPC's original filing for approval of the Program.³ EKPC also filed these results in its 2003⁴ and 2006⁵ IRPs. These results indicate that the Total Resource Cost Test was favorable in each instance. EKPC also provided estimates of savings to date and expected future savings associated with the Program. Estimated current and future savings associated with the Program through 2021 total over \$35,000.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed Program is reasonable and consistent with KRS 278.285 and should be extended as amended through 2009. Future requests to extend the Program should include updated cost/benefit analysis and a thorough discussion of future expectations.

The Member Systems are not parties to this proceeding; therefore, the Commission does not address their rebate programs in this Order. We place all participating Member Systems on notice that the terms and conditions of 'their' rebate programs must be set forth in their filed tariffs before such programs can be implemented.

³ See Case No. 2002-00313, The Filing of East Kentucky Power Cooperative Corporation for the Determination of Reasonableness of A New Demand Side Management Program Entitled the Touchstone Energy Manufactured Home Program.

⁴ See Case No. 2003-00051, The 2003 Integrated Resource Plan of East Kentucky Power Cooperative, Inc.

⁵ See Case No. 2006-00471, The 2006 Integrated Resource Plan of East Kentucky Power Cooperative, Inc.

IT IS THEREFORE ORDERED that:

1. EKPC's request to revise its DSM tariff and extend its Touchstone Energy Home Program through the end of 2009 is granted.
2. Within 20 days of the date of this Order, EKPC shall file with the Commission revised tariff sheets reflecting the approved revisions to its Touchstone Energy Home Program DSM tariff.
3. The Commission's Executive Director shall serve a copy of this Order on EKPC's Member Systems.

Done at Frankfort, Kentucky, this 28th day of February, 2008.

By the Commission

ATTEST:



Executive Director

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